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BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP

Chairman

GARY PIERCE

Commissioner

BRENDA BURNS

Commissioner

BOB BURNS

Commissioner

SUSAN BITTER SMITH

Commissioner

Arizona Corporation Commission

DOCKETED

APR 10 2013

DOCKETED BY

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IN THE MATTER OF THE APPLICATION
OF GREAT PRAIRIE OASIS L.L.C. DBA
SUNLAND WATER COMPANY FOR
APPROVAL OF FINANCING
IN THE MATTER OF THE APPLICATION
OF GREAT PRAIRIE OASIS L.L.C. DBA
SUNLAND WATER COMPANY FOR A
RATE INCREASE

DOCKET NO. W-04015A-12-0050

DOCKET NO. W-04015A-12-0051

DECISION NO. 73827ORDER

Open Meeting
April 9-10, 2013
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Great Prairie Oasis L.L.C. dba Sunland Water Company ("Sunland" or "Company") is a for-profit Arizona Limited Liability Company and a Class E public service corporation serving potable water to approximately 81 customers in a rural subdivision originally named Sunland Estates and now called Brookside Farms. The service territory is located approximately five miles southeast of the City of Casa Grande near the junction of Interstate 8 and Interstate 10 in Pinal County, Arizona.

2. The Company's current rates were approved in Decision No. 73254, issued July 30, 2012, in the above-named dockets.

3. Decision No. 73254 also authorized the Company to borrow up to \$122,050 from the Water Infrastructure Finance Authority of Arizona ("WIFA") for the purpose of funding a

1 blending plan that includes construction of transmission lines between the Company's operational
2 well and secondary well and construction of blending plant at the Company's operational well.

3 4. Decision No. 73254 also authorized the Company, after it has secured the WIFA
4 loan, to file for implementation of a WIFA loan surcharge ("Surcharge") and for Staff to calculate
5 the appropriate Surcharge¹ based on the actual loan debt service (interest and principal) payments
6 and using the current customer count at the time of the loan closing² and to prepare and file a
7 recommended order for Commission consideration within 60 days.

8 5. Sunland filed its request to implement the Surcharge on December 18, 2012.

9 6. Staff calculated that additional funds of \$4,753 per year are needed to provide the
10 Company with \$2,000 of uncommitted cash flow, as shown in the attached Schedule 1.

11 7. In its Staff Report, Staff recommended a Surcharge that varied by meter size in
12 proportion to the American Water Works Association flow capacity multipliers, and Staff has
13 applied those multipliers in calculating the Surcharge by meter size, as shown in the attached
14 Schedule 2, using the debt service and debt service reserve amounts³ from the actual loan.⁴

15 8. The Surcharge is \$5.21 per month for a 5/8 x 3/4-inch meter. Details of the
16 Surcharge for all other meter sizes are presented in the attached Schedule 2.

17 9. The Surcharge combined with the Company's permanent rates will increase the
18 typical bill for a 5/8 x 3/4-inch meter customer with a median usage of 3,786 gallons by \$5.21, or
19 22.32 percent, from \$23.34 to \$28.55, as shown in the attached Schedule 3.

20 10. Staff concludes that implementation of the Surcharge as shown in Schedule 2 is
21 consistent with Decision No. 73254.

22 11. Staff recommends approval of the Surcharge as shown in Schedule 2.

23 12. Staff further recommends that the Company file a tariff explaining the terms and
24 conditions of the Surcharge within 30 days of the effective date of the Decision in this proceeding.

25 ¹ Staff had recommended a Surcharge sufficient to meet all of the Company's obligations and also have \$2,000 in
26 uncommitted cash flow for contingencies. Staff recommended implementing the Surcharge as a fixed monthly rate
27 with the Surcharge varying in amount by meter size in proportion to the relative volumetric flow capacities of the
meters as established by the American Water Works Association.

28 ² The Company's Surcharge application specifies a customer count of 76 at the time of the loan closing.

³ The annual debt service is \$9,178 and the annual reserve payment is \$1,836.

⁴ A 20-year, \$122,050 amortizing loan at 4.2 percent per annum.

1 13. Staff further recommends that the Company notify its customers of the Surcharge
2 tariff within 30 days of the effective date of the Decision in this proceeding.

3 14. Staff's conclusions and recommendations are reasonable and should be adopted.

4 CONCLUSIONS OF LAW

5 1. The Company is a public service corporation within the meaning of Article XV of
6 the Arizona Constitution and A.R.S. §§ 40-250 and 40-252.

7 2. The Commission has jurisdiction over the Company and of the subject matter of the
8 application.

9 3. Approval of the Company's WIFA loan surcharge is consistent with the
10 Commission's authority under the Arizona Constitution and applicable case law.

11 4. It is in the public interest to authorize the Company's request for approval of the
12 WIFA loan surcharge as discussed herein.

13 ORDER

14 IT IS THEREFORE ORDERED that the application by Great Prairie Oasis L.L.C. dba
15 Sunland Water Company for the implementation of a WIFA loan surcharge is hereby approved, as
16 discussed herein and as presented in attached Schedule 2.

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1 IT IS FURTHER ORDERED that Great Prairie Oasis L.L.C. dba Sunland Water Company
2 shall file with the Commission's Docket Control, as a compliance item in this docket, a tariff
3 explaining the terms and conditions of the WIFA loan surcharge, within 30 days of the date of this
4 Decision.

5 IT IS FURTHER ORDERED that Great Prairie Oasis L.L.C. dba Sunland Water Company
6 shall notify its customers of the WIFA Loan surcharge tariff, in a form acceptable to Staff, within
7 30 days of the effective date of the Decision resulting from this proceeding.

8 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

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11 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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CHAIRMAN

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COMMISSIONER

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COMMISSIONER

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COMMISSIONER

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COMMISSIONER

18 IN WITNESS WHEREOF, I, JODI JERICH, Executive
19 Director of the Arizona Corporation Commission, have
20 hereunto, set my hand and caused the official seal of this
21 Commission to be affixed at the Capitol, in the City of
22 Phoenix, this 10th day of April, 2013.

23 
JODI JERICH
24 EXECUTIVE DIRECTOR

25 DISSENT: _____

26
27 DISSENT: _____

28 SMO:JAC:sms/RM

1 SERVICE LIST FOR:
2 DOCKET NO.

3 Judy Wischer, Managing Member
4 Great Prairie Oasis L.L.C.
5 DbA Sunland Water Company
6 7502 E. Hazelwood Street
7 Scottsdale, AZ 85251

8 Mr. Steven M. Olea
9 Director, Utilities Division
10 Arizona Corporation Commission
11 1200 West Washington Street
12 Phoenix, Arizona 85007

13 Ms. Janice M. Alward
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SCHEDULES

DOCKET NOS. W-04015A-12-0051 and W-04015A-12-0050

Great Prairie Oasis LLC dba Sunland Water
Docket Nos. W-04015A-12-0051 & W-04015A-12-0050
Test Year Ended December 31, 2011

Schedule 1

CASH FLOW ANALYSIS

Line No.	W/O Proposed Loan	Pro Forma With Proposed Loan and Surcharge
Cash Inflows		
1 461 Metered Water Revenue	\$32,304	\$32,304
2 460 Unmetered Water Revenue	\$0	0
3 474 Other Water Revenues	\$0	0
4 Revenue - Surcharge for 1.42 DSC (\$2,000 Cash Flow)	0	4,753
5 Total Revenue	<u>\$32,304</u>	<u>\$37,057</u>
Cash Outflows		
6 601 Salaries and Wages	\$0	\$0
7 610 Purchased Water	0	0
8 615 Purchased Power	3,028	3,028
9 618 Chemicals	0	0
10 620 Repairs and Maintenance	2,385	2,385
11 621 Office Supplies & Expense	1,659	1,659
12 630 Outside Services	2,898	2,898
13 635 Water Testing	2,322	2,322
14 641 Rents	5,000	5,000
15 650 Transportation Expenses	2,972	2,972
16 657 Insurance - General Liability	2,851	2,851
17 659 Insurance - Health and Life	0	0
18 666 Regulatory Commission Expense - Rate Case	300	300
19 675 Miscellaneous Expense	26	26
20 403 Depreciation Expense	1,345	1,345
21 408 Taxes Other Than Income	0	0
22 408.11 Property Taxes	602	602
23 409 Income Tax	0	0
24 Total Expenses	<u>\$25,388</u>	<u>\$25,388</u>
25 Operating Income	\$6,916	\$11,669
26 Plus: Depreciation Expense	1,345	1,345
27 Less: Loan Payment Interest	0	5,047
28 Less: Loan Payment Principal	0	4,131
29 AIAC Refunds	0	0
30 Cash Flow from Operations before WIFA Reserve	<u>\$8,261</u>	<u>\$3,836</u>
31 WIFA Reserve (20% of Principal and Interest)	0	1,836
32 Cash Flow from Operations after WIFA Reserve	<u><u>\$8,261</u></u>	<u><u>\$2,000</u></u>

DOCKET NOS. W-04015A-12-0051 and W-04015A-12-0050

Great Prairie Oasis LLC dba Sunland Water
Docket Nos. W-04015A-12-0051 & W-04015A-12-0050
Test Year Ended December 31, 2011

Schedule 2

CALCULATION OF INFRASTRUCTURE SURCHARGE AMOUNT

Infrastructure Surcharge Based on AWWA Meter Multiplier

Additional Revenue Required for \$2,000 Cash Flow		\$4,753
Total Equivalent Annual Bills		912
5/8"x 3/4" Meter Surcharge Amount	$\$4,753 / 912 =$	\$ 5.21
3/4" Meter Surcharge Amount	$\$ 5.21 / \times 1.5 =$	\$ 7.82
1" Meter Surcharge Amount	$\$ 5.21 / \times 2.5 =$	\$ 13.03
1 1/2" Meter Surcharge Amount	$\$ 5.21 / \times 5.0 =$	\$ 26.06
2" Meter Surcharge Amount	$\$ 5.21 / \times 8.0 =$	\$ 41.69
3" Meter Surcharge Amount	$\$ 5.21 / \times 16.0 =$	\$ 83.38
4" Meter Surcharge Amount	$\$ 5.21 / \times 25.0 =$	\$ 130.28
6" Meter Surcharge Amount	$\$ 5.21 / \times 50.0 =$	\$ 260.57

Meter Size	Number of Customers ¹	Meter Multiplier	Equivalent Customers	Equivalent No. of Bills	Monthly Surcharge	Yearly Surcharge	Total Amount
5/8" x 3/4" Meter	76	1	76	912	\$ 5.21	\$ 62.54	\$ 4,752.78
3/4" Meter	-	1.5	-	-	7.82	\$ 93.80	\$ -
1" Meter	-	2.5	-	-	13.03	\$ 156.34	\$ -
1 1/2" Meter	-	5	-	-	26.06	\$ 312.68	\$ -
2" Meter	-	8	-	-	41.69	\$ 500.29	\$ -
3" Meter	-	16	-	-	83.38	\$ 1,000.59	\$ -
4" Meter	-	25	-	-	130.28	\$ 1,563.42	\$ -
6" Meter	-	50	-	-	260.57	\$ 3,126.83	\$ -
TOTAL	<u>76</u>		<u>76</u>	<u>912</u>			<u>\$ 4,753</u>

¹ Number of customers at time of loan closing.

Great Prairie Oasis LLC dba Sunland Water

Schedule 3

Docket Nos. W-04015A-12-0051 & W-04015A-12-0050

Test Year Ended December 31, 2011

TYPICAL BILL ANALYSIS (with surcharge)

General Service 5/8 X 3/4 - Inch Meter

<u>Staff Recommended</u>	<u>Gallons</u>	<u>Permanent Rates</u>	<u>Permanent Rates with Surcharge</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Average Usage	5,616	\$31.12	\$ 36.33	\$5.21	16.74%
Median Usage	3,786	\$23.34	\$ 28.55	\$5.21	22.32%

<u>Gallons Consumption</u>	<u>Permanent Rates</u>	<u>Permanent Rates with Surcharge</u>	<u>% Increase</u>
0	\$14.00	\$ 19.21	37.21%
1,000	16.00	21.21	32.56%
2,000	18.00	23.21	28.94%
3,000	20.00	25.21	26.05%
4,000	24.25	29.46	21.48%
5,000	28.50	33.71	18.28%
6,000	32.75	37.96	15.91%
7,000	37.00	42.21	14.08%
8,000	41.25	46.46	12.63%
9,000	45.50	50.71	11.45%
10,000	51.25	56.46	10.16%
15,000	80.00	85.21	6.51%
20,000	108.75	113.96	4.79%
25,000	137.50	142.71	3.79%
50,000	281.25	286.46	1.85%
75,000	425.00	430.21	1.23%
100,000	568.75	573.96	0.92%
125,000	712.50	717.71	0.73%
150,000	856.25	861.46	0.61%
175,000	1,000.00	1,005.21	0.52%
200,000	1,143.75	1,148.96	0.46%